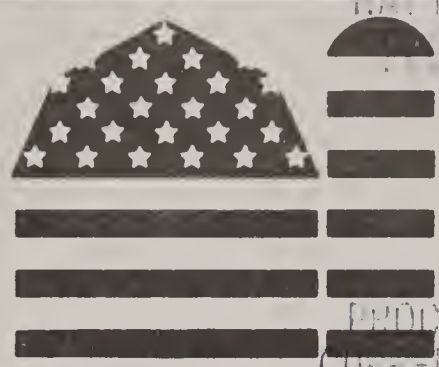


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**FARMERS'
NEWSLETTER**
Wheat



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PROCUREMENT SECTION
October 79/W-10
CURRENT SERIAL RECORDS

Prices Stay Strong

We're well into the marketing year, and prices, even at harvesttime, have been around a dollar a bushel over last year.

Early speculation that this year's bumper U.S. crop would bring down wheat prices has not materialized. Expectations of record demand have held market prices at their highest level in 5 years.

Farm prices of around \$4 a bushel are common in many areas. The season's average farm price is estimated between \$3.60 and \$3.90 a bushel--up from \$2.94 in 1978/79 and \$2.33 in 1977/78.

As the season progresses, these factors may influence wheat prices:

- **Export levels**--Expanded wheat exports have been the leading force behind this year's higher prices. In turn, any problems moving wheat to port may hinder our ability to meet overseas demand and affect prices. Careful observation of these events will help you with marketing decisions.
- **Trade discussions**--On October 4, the United States offered to sell the Soviet Union as much as 25 million tons of grain for the fourth year (Oct. 1, 1979 - Sept. 30, 1980) of the US/USSR Grains Agreement.

The proportion of wheat and corn was not stipulated, although the Soviets must buy a minimum of 3 million tons of wheat. A much larger portion of the

HEAVY DEMAND BUOYS PRICES

	1977/78	1978/79	1979/80	
	Recorded	Estimated	Forecast*	
Item	Million bushels			
<u>Supply</u>				
Beginning stocks	1,112	1,177	922	
Production	2,036	1,799	2,123	+ 30
Imports	2	1	2	
Total supply	3,150	2,977	3,047	+ 30
<u>Use</u>				
Food	586	591	595	+ 5
Seed	80	87	95	+ 5
Feed	183	183	175	+ 50
Exports	1,124	1,194	1,400	+ 100
Total use	1,193	2,055	2,265	+ 125
Ending stocks	1,177	922	782	

Dollars per bushel

Av. farm price	2.33	2.94	3.60-3.90
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*As of September 1, 1979.

25 million tons is likely to be corn, but the option still remains for additional wheat purchases. To date, fourth-year sales total nearly 4 million tons.

- **Winter wheat plantings**--Prices will show some adjustments when more becomes known about how many acres farmers are planting to winter wheat.

The first USDA report with this information is Winter Wheat and Rye Seedings, to be released on December 21.

The Farmers' Newsletter is authorized by Congress and written and published by USDA's Economics, Statistics, and Cooperatives Service. Materials in the newsletter are approved by the World Food and Agricultural Outlook and Situation Board.

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- **Marketing strategies**--Don't forget the impact that holding your wheat well past harvest and marketing it in an orderly fashion can have on prices.

Widely used during 1978/79, this strategy did much to influence higher and firmer price levels.

- **Redemptions from the farmer-owned reserve**--So far, nearly 160 million bushels, or about 40 percent, of the 413-million-bushel wheat reserve have been redeemed.

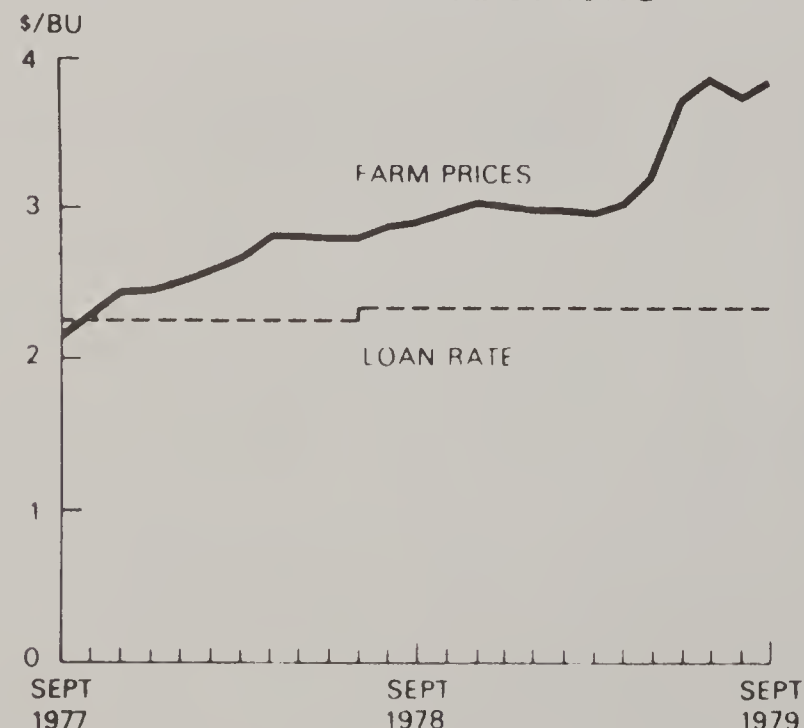
Thus, if the \$4.11 call level is reached and liquidation of the reserve is required, the resulting downward pressure on market prices would be considerably less than when the reserve held much more wheat.

Big Year for Exports

World wheat trade is expected to hit an alltime high during the current year, and the U.S. share may well increase to nearly half the total, versus last year's 45 percent.

One reason is that the world wheat crop--excluding the United States--could be down as much as 12 percent from a year earlier while use continues upward.

WHEAT PRICES CONTINUE STRONG



EXPORT PROSPECTS UP SHARPLY

	1977/78	1978/79	1979/80*
Million bushels			
Hard winter	535	610	770
Hard spring	156	232	230
Soft red	197	95	150
Soft white	174	185	180
Durum	62	72	70
TOTAL	1,124	1,194	1,400

* Mid-September forecast.

Most of the production decline comes from the USSR, where the wheat crop is down 30 percent.

This could lift U.S. wheat exports to around 1.4 billion bushels, considerably above the previous record 1.2 billion bushels shipped 6 years ago.

On the world scene, transportation and labor problems have limited wheat shipments from other major exporting countries, making American farmers the chief suppliers on the world wheat market.

But here at home, recent transportation and loading disruptions threaten our ability to move grains to foreign markets.

Even so, sales commitments and shipments are running 30 percent ahead of a year ago. However, loadings must average a sizable 27 million bushels a week if total wheat exports are to reach 1.4 billion bushels.

Thus, the key to achieving a record wheat export season may lie in avoiding frequent and lengthy logistical disruptions.

Output Rising

The harvest of a 2.12-billion-bushel wheat crop is virtually finished. That's an 18-percent bigger crop than last year and the second largest ever. Thanks to generally good weather and soil moisture conditions this year, wheat yields were a record 34.1 bushels per acre.

Expanded acreage and record yields pushed the total 1979 winter wheat crop to 1.6 billion bushels--more than a fourth above 1978. The Hard Red Winter crop reached a record 1.1 billion bushels. Soft Red production rose 60 percent, while unusually heavy winterkill reduced the White wheat harvest by 13 percent.

Among spring wheats, the Hard Red crop is down 4 percent due to late plantings that hurt yields. Producers harvested a record White spring crop, but Durum production is down about a fifth because of reduced acreage and yields.

Last June 1, wheat stocks declined for the first time in 5 years. But the large 1979 crop is raising this season's wheat supply to more than 3 billion bushels, just shy of a new record.

HARD RED WINTER CROP A RECORD

	1977	1978	1979*
	Million bushels		
Winter			
Hard Red	992	834	1,095
Soft Red	350	202	316
White	195	212	185
Spring			
Hard Red	398	380	364
White	21	38	56
Durum	80	133	107
TOTAL	2,036	1,799	2,123

* Preliminary.

No Set-Aside Provisions For 1980

Because the 1979/80 world wheat outlook indicates strong demand, reduced world production, and a draw-down of stocks, there will be no wheat set-aside program in 1980.

Here's how the 1980 wheat program lines up:

- All wheat producers will be eligible for farm program benefits--loans, target price protection, and entry into the farmer-owned reserve, if opened--without setting aside or diverting acreage.
- The wheat loan rate will be \$2.50 a bushel, up from the \$2.35 of the past 2 years.
- The national program acreage for wheat will be 70 million acres, up from 67.6 million in 1979.
- Farmers who plant no more wheat than their 1979 acreage plus set-aside and graze-out acres will have full target price protection.

However, those who exceed this acreage will be subject to an allocation factor--target price protection will fall between 80 and 100 percent of the acreage planted to wheat.

- The increased loan rate will raise the "release" price from the the farmer-owned reserve to \$3.50 a bushel, compared with the current \$3.29.

In turn, the "call" price will increase from this year's \$4.11 a bushel to \$4.38. These rates will apply to all reserve stocks, but not until June 1, 1980.

- Based on the formula defined in the Food and Agriculture Act of 1977, preliminary data indicate a 1980 target price of \$3.07 a bushel.

FARMERS' NEWSLETTER



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Based on the same formula, the 1979 target price was \$2.98, but because a set-aside program was in effect, the price was adjusted to \$3.40. The final 1980 target price will be announced by March 15.

Take a Cautious Approach

The 1980 wheat program gives farmers the chance to freely expand their wheat acreage. Because prices look generally favorable, it may be highly tempting to plant "fence to fence."

But here are some points worth considering:

- Remember that 2 years ago wheat prices plunged below the loan level in response to bumper crops that increased stock levels far beyond demand.
- While wheat prices are not expected to fall to the loan level in 1980/81, large 1980 plantings will likely preclude another dollar-a-bushel price rise like we've just experienced.

Excessively large U.S. plantings, combined with any good news about 1980 world wheat crop prospects, could quickly weaken prices.

- As winter wheat planting got underway, most major producing areas in the United States reported favorable seed bed and subsoil moisture conditions. Last year, these same conditions produced record winter wheat yields. Therefore, expanded acreage could result in a record 1980 wheat crop.

- Farmers well know the consequences of abandoning good soil conservation practices to plant fragile land. Yet when prices are high, the temptation to plant fence to fence may prove irresistible.

For this reason, USDA discourages plowing up marginal lands. Producers who plant wheat on marginal land will not be allowed to use it as part of their normal crop acreage in future set-aside programs.

Agriculture in a World Setting is the theme of USDA's 56th annual outlook conference to be held November 5-8, in Washington, D.C.

The toll-free Farmers' Newslines will provide coverage of the conference from 4 p.m. November 2 through 4 p.m. November 9. Dial 800 424-7964.
